

BAINBRIDGE ISLAND SCHOOL DISTRICT No. 303
Kitsap County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. Internal Controls Over Cash Receipts And Accounts Receivable Should Be Improved

Our review of the system of internal control disclosed the following weaknesses at certain schools within the district.

a. Commodore Middle School - Cash Receipts

(1) Not all cash and checks were receipted when received.

(2) The district used redi-form cash receipt forms rather than official prenumbered forms. Since these forms are readily available from a variety of local retail sources, anyone can obtain them. Thus, they have the potential for misuse.

(3) Unreceipted cash and checks were left in the school vault which was left unlocked during the day. The vault is used to store permanent student records and is accessible by school staff.

(4) Unreceipted soft drink machine moneys were used as an informal change fund by the office staff.

(5) Receipted moneys were transmitted to the high school about once a week.

(6) Lockable bank bags were used, but not locked, because the keys could not be located.

(7) Ending fund balances on the school's manual Associated Student Body (ASB) accounting records were not reconciled with the computerized records posted at the high school.

b. Bainbridge Island High School

(1) Cash Receipts

(a) Unreceipted cash was accumulated in the vault for up to a week before it was counted, receipted, and deposited.

(b) Unreceipted soft drink machine moneys were held in the vault and used as an informal change fund.

(c) Except for the first two months of the school year, deposits were

made only once a week.

(2) Accounts Receivable

There was an inadequate segregation of duties. The ASB accountant performed the following accounts receivable functions without any management review: billing, posting, adjustment, and collection. These functions were in addition to the accountant's regular duties which included cash receipting, deposit preparation, and general ledger maintenance.

These conditions increase the risk that errors and irregularities could occur and not be detected by management in a timely manner.

This lack of internal controls was caused by changes in staff duty assignments associated with the rapid growth in student population in recent years.

We recommend the district review overall accounting controls over cash receipts and accounts receivable at individual schools, correct the weaknesses outlined above, and implement an effective system of internal controls designed to ensure the protection of district assets.